HOME

TOPICS

Economy
Environment
Gender
Globalization
Health
Labor
Politics
Science & Technology
Security & Terrorism
Society & Culture
Trade

REGIONS

Global
Africa
Americas
Asia-Pacific
Central Asia
Europe
Middle East
South Asia

ABOUT GLOBALIZATION

What is Globalization?
History of Globalization
Academic Papers
Books & Reviews
Related Web Sites

ABOUT YALEGLOBAL

Mission Statement
Contributing Publications
Privacy Policy
Contact Us

YALEGLOBAL ONLINE

WTO members in Geneva recently ratified the Doha Development Agenda July 2004 Package, a group of measures designed to carry out the goals of the 2001 Doha Round. Ernesto Zedillo, director of the Yale Center for the Study of Globalization and former president of Mexico, suggests that despite laudatory talk from the key negotiators, the recent Geneva agreement contributes little toward advancing the original free-market objectives. Mired in generalities and promises without concrete deadlines, the reforms - focused largely on agricultural issues - may facilitate more talk than action, argues Zedillo. Future negotiations will reveal the true level of commitment to open markets; considering generally protectionist sentiments in Europe and the US, however, the outlook is dubious. – YaleGlobal

Uncertain Future for Free Trade

Ernesto Zedillo
Forbes, 15 September 2004

At the eleventh hour of the July 31 deadline, exhausted negotiators at the WTO headquarters in Geneva clinched a deal to reanimate the Doha Round of trade liberalization. The agreement was immediately hailed by its chief architects: Robert Zoellick, the U.S. trade representative, called it a milestone; Pascal Lamy, the EU trade commissioner, declared the Round to be back on track; Kamal Nath, India's commerce and industry minister, affirmed that the agreement provided significant gains for his country; and Celso Amorim, Brazil's foreign minister, went so far as to proclaim it a combination of trade liberalization and social justice!

It's excellent that the Round was not buried on the shores of Lake Geneva. And it's great that at last the negotiating agenda is rid of some highly contentious noncore trade issues, such as multilateral agreements on investment, competition and government procurement. But a quick look at the points agreed to reveals that the agreement is, at best, a timorous step toward achieving the liberalization goals set at Doha in 2001.

Deal or Gimmick?

SE
Ad
S
SA
Y
C
Fo
Ne
R
Y
Th
An
8 S
Th
Ma
6 S
Th
Cly
2 S
Ch
Mo
Be
31
Ce
Tin
26
mo
M
Flas
Vid
Slid

Take agriculture, the area in which the Round is supposed to achieve the biggest reforms. True, negotiators agreed to eliminate export subsidies. But they failed to set a date certain. They also reiterated their commitment to substantial reductions in trade-distorting domestic subsidies, but they omitted any time frame, as well as any definition of "substantial." Furthermore, they agreed--mainly because of U.S. demands--to redefine the so-called Blue Box of subsidies (acceptable under WTO rules) to allow payments to farmers that otherwise could have been prohibited.

Regarding tariffs and other impediments to imports, negotiators committed to substantial reductions but, again, failed to set any timetable or specify by how much. Equally worrisome is that negotiators agreed that countries may designate products as sensitive, giving them a mechanism to circumvent the general rules on dismantling farm protectionism. It's not hard to envision the abuses this provision will engender. Markets for certain products with enormous export potential for developing countries could be kept closed. For example, Japan has already announced its intention to use this loophole for rice, a product that soaks up hundreds of billions of yen in subsidies and carries extravagant tariffs. Expect the EU and the U.S. to do the same for their products that are protected and have strong lobbies.

Those hoping for real agricultural reform have gained no peace of mind from statements made by certain key government officials. The French minister of agriculture praised the agreement's lack of timetables and predicted that subsidies won't end until 2015-17. Mr. Lamy himself praised the deal for locking the EU's Common Agricultural Policy (infamous even after last year's reforms) into the WTO's covenants. And don't for a minute think that so many loose ends in agriculture were left in exchange for making great strides in other sectors. In fact, there was no progress made in the Round's other two important areas, industrial goods and services.

Foggy Panorama

Whether the July agreement eventually becomes meaningful will depend on future negotiations, which won't gain momentum until well into 2005. In turn, the outcome of those negotiations will depend on how seriously the main players pursue free markets as instruments for peace and prosperity.

Don't expect any significant change in the protectionist attitudes of most heads of government in Europe. A ray of hope can be found in the appointment of two men, Portugal's José Manuel Barroso as president of the European Commission and Britain's Peter Mandelson as trade commissioner, both of whom have good reputations as effective reformers and believers in free markets.

The outlook for trade reform is also very uncertain in the U.S., the country that must exercise the greatest leadership if the Round is to succeed. A main cause of uncertainty stems from the upcoming November presidential elections. The Administration, usually right in its rhetoric, has frequently disappointed in its practice. But the challengers' rhetoric on trade is, frankly, scary. The drums of protectionism are beating loudly in that camp, highlighted by frequent outcries against offshoring. They have found it politically expedient to blame offshoring for the U.S.' weak job creation in recent years and are pledging to restrict it.

There are two serious problems with this proposal: First, it's based on false premises; second, it would inflict much more harm than good on the U.S. economy. A recent study by the Federal Reserve Bank of Boston shows that domestic developments associated with higher productivity, not offshoring, explain the anemic growth in employment during the present recovery. While outsourcing does cause some layoffs, it also leads to insourcing to the U.S. In fact, a study by Global Insight (USA) has found that global sourcing contributes significantly to GDP in the U.S., adding $33.6 billion in 2003. The study also provides evidence that while IT offshoring displaces some workers, it ends up increasing total employment in the U.S. as its effects on productivity, demand for other domestically produced goods, lower inflation and lower interest rates flow through the economy. Politicians of all persuasions should know better!

Ernesto Zedillo is director of the Yale Center for the Study of Globalization and former president of Mexico.

Source:
Forbes

Related Articles:
Farm Deal Puts WTO Talks at Risk
Protests Greet Yet Another WTO Meeting
Bold Action Can Still Save Doha Round
Protesters Swarm the Streets at W.T.O. Forum in Cancún

email this article

print this article

comment on this article